

**Orchard Place and Orchard Place Foundation  
Des Moines, Iowa**

**CONSOLIDATED FINANCIAL REPORT**

**June 30, 2013**

## CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7-14
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating statement of financial position	15
Consolidating statement of activities	16
Schedule of expenditures of federal awards	17
Note to schedule of expenditures of federal awards	18
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	19-20
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</b>	21-22
Schedule of findings and questioned costs	23

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Orchard Place and Orchard Place Foundation  
Des Moines, Iowa

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Orchard Place and Orchard Place Foundation, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orchard Place and Orchard Place Foundation as of June 30, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, including the accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2013, on our consideration of Orchard Place and Orchard Place Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orchard Place and Orchard Place Foundation's internal control over financial reporting and compliance.

*Denman & Company, LLP*  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
August 19, 2013

# ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

## Consolidated Statement of Financial Position

June 30, 2013

### Assets

Current assets:	
Cash	\$ 4,028,214
Receivables:	
Patient receivables, net of allowance for contractual adjustments and uncollectibles of \$597,000	1,842,086
Contributions receivable, net of allowance for uncollectibles of \$1,060	44,499
Other receivables	11,122
Total receivables	<u>1,897,707</u>
Prepaid expenses and inventories	254,132
Total current assets	<u>6,180,053</u>
Interest in the net assets of the Community Foundation of Greater Des Moines	5,113,053
Property and equipment:	
Land and land improvements	1,753,319
Buildings and leasehold improvements	11,522,774
Equipment and furniture	1,369,910
Computer hardware and software	579,770
Vehicles	168,960
Construction in progress	52,872
Total property and equipment	15,447,605
Accumulated depreciation and amortization	8,664,289
Net property and equipment	<u>6,783,316</u>
Beneficial interest in assets held by the Community Foundation of Greater Des Moines	60,541
Assets held in trust by others	<u>279,000</u>
Total assets	<u>\$ 18,415,963</u>

### Liabilities and Net Assets

Current liabilities:	
Line of credit	\$ —
Current maturities of capital lease obligations	16,867
Accounts payable and accrued expenses	1,361,833
Gift annuity liabilities	18,970
Total current liabilities	<u>1,397,670</u>
Capital lease obligations	32,503
Total liabilities	<u>1,430,173</u>
Net assets:	
Unrestricted, including \$6,731,843 net investment in plant	15,137,154
Temporarily restricted	1,219,726
Permanently restricted	628,910
Total net assets	<u>16,985,790</u>
Commitments and contingencies	—
Total liabilities and net assets	<u>\$ 18,415,963</u>

See accompanying notes to the consolidated financial statements.

# ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

## Consolidated Statement of Activities

Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue and support:				
Net patient service revenue, contracts and grants	\$ 17,227,357	\$ —	\$ —	\$ 17,227,357
Public support	1,164,430	—	—	1,164,430
Contributions, memorials, and fundraisers, net	293,652	658,499	8,319	960,470
Other revenue	210,129	—	—	210,129
Total operating revenue and support	<u>18,895,568</u>	<u>658,499</u>	<u>8,319</u>	<u>19,562,386</u>
Net assets released from restrictions - satisfaction of program and time restrictions	384,057	(384,057)	—	—
Total operating revenue, support and net asset transfers	<u>19,279,625</u>	<u>274,442</u>	<u>8,319</u>	<u>19,562,386</u>
Operating expenses:				
Program services:				
Orchard Place Campus	7,358,702	—	—	7,358,702
PACE Juvenile Center	2,322,517	—	—	2,322,517
Child Guidance Center	7,514,283	—	—	7,514,283
Care Coordination Services	174,440	—	—	174,440
Total program services	<u>17,369,942</u>	<u>—</u>	<u>—</u>	<u>17,369,942</u>
Administrative services	1,371,891	—	—	1,371,891
Fundraising and marketing	564,405	—	—	564,405
Total operating expenses	<u>19,306,238</u>	<u>—</u>	<u>—</u>	<u>19,306,238</u>
Change in net assets from operating activities	<u>(26,613)</u>	<u>274,442</u>	<u>8,319</u>	<u>256,148</u>
Nonoperating activities:				
Investment income, net				
Interest and dividends	86,525	17,533	—	104,058
Realized gains (losses)	209,684	42,630	—	252,314
Unrealized gains (losses)	188,465	35,384	—	223,849
Investment expenses	(18,288)	(2,212)	—	(20,500)
Total investment income, net	<u>466,386</u>	<u>93,335</u>	<u>—</u>	<u>559,721</u>
Change in the value of split interest agreements	(3,382)	24,000	—	20,618
Other nonoperating income, net	64,742	—	—	64,742
Net assets released from restrictions - property and equipment	131,986	(131,986)	—	—
Change in net assets from nonoperating activities	<u>659,732</u>	<u>(14,651)</u>	<u>—</u>	<u>645,081</u>
Change in net assets	633,119	259,791	8,319	901,229
Net assets at beginning of year	<u>14,504,035</u>	<u>959,935</u>	<u>620,591</u>	<u>16,084,561</u>
Net assets at end of year	<u>\$ 15,137,154</u>	<u>\$ 1,219,726</u>	<u>\$ 628,910</u>	<u>\$ 16,985,790</u>

See accompanying notes to the consolidated financial statements.

# **ORCHARD PLACE AND ORCHARD PLACE FOUNDATION**

## Consolidated Statement of Functional Expenses

Year ended June 30, 2013

	<u>Orchard Place Campus</u>	<u>PACE Juvenile Center</u>	<u>Child Guidance Center</u>	<u>Care Coordination Services</u>	<u>Administrative Services</u>	<u>Fundraising and Marketing</u>	<u>Total Expenses</u>
Salaries	\$ 4,711,552	\$ 1,498,446	\$ 4,955,246	\$ 75,326	\$ 802,160	\$ 342,383	\$ 12,385,113
Employee benefits	755,093	287,299	784,972	149	115,678	47,070	1,990,261
Payroll taxes and insurance	402,712	126,685	411,420	5,645	65,500	28,705	1,040,667
Total payroll expenses	5,869,357	1,912,430	6,151,638	81,120	983,338	418,158	15,416,041
Professional fees/contract labor	334,441	46,074	203,890	3,507	50,273	35,000	673,185
Recruiting	19,935	5,947	10,261	5,606	24,802	2,126	68,677
Accreditation	193	—	—	—	14,570	—	14,763
Information technology	15,195	10,268	32,406	33,969	98,567	9,756	200,161
Food	299,623	7,652	3,773	—	106	—	311,154
Office supplies	10,184	4,599	18,433	4,432	6,014	3,059	46,721
Therapy and program supplies	14,770	13,372	23,208	—	—	—	51,350
Telephone	6,600	19,294	42,560	2,062	6,657	840	78,013
Postage	4,442	871	18,404	1,245	6,904	1,432	33,298
Building/grounds maint. and supplies	98,265	12,645	16,494	16,539	2,565	—	146,508
Cleaning	51,476	26,273	20,847	439	—	—	99,035
Utilities	151,916	49,060	38,236	—	—	—	239,212
Rent and security services	29,753	233	41,322	—	71,305	12,000	154,613
General insurance	58,920	18,476	38,805	—	8,690	1,523	126,414
Interest	—	—	—	—	4,059	—	4,059
Educational assistance	—	—	—	—	10,198	—	10,198
Printing and publications	331	1,054	23,466	1,032	1,064	30,707	57,654
Transportation and travel	19,302	50,633	104,516	—	13,982	2,574	191,007
Staff development and recognition	18,888	3,889	42,153	—	7,526	1,160	73,616
Conference hosting	—	—	72,564	—	—	2,399	74,963
Contracted trainings	—	1,769	194,908	—	—	—	196,677
Training/home consulting supplies	—	1,134	64,922	—	—	—	66,056
Child care incentives and stipends	—	—	197,487	—	—	—	197,487
Contracted services-other agencies	—	1,439	1,311	13,242	—	—	15,992
Business meetings	—	1,355	853	165	2,930	2,078	7,381
Dues and subscriptions	118	216	550	—	571	70	1,525
Client expenses	12,324	2,900	16,075	—	—	1,910	33,209
Recreation	28,460	6,476	—	—	—	—	34,936
Bad debt expense	36,329	7,422	23,400	—	—	—	67,151
Work studies payments	9,663	—	—	—	—	—	9,663
Memberships	—	—	7,892	—	1,048	1,300	10,240
Equipment	4,230	1,129	290	10,830	2,399	—	18,878
Equipment maintenance	57,370	20,091	17,504	69	364	—	95,398
Copier contracts	3,998	527	10,149	183	1,229	4,790	20,876
Advertising and marketing	6,776	3,036	27,376	—	2,171	9,546	48,905
Planned giving expenses	—	—	—	—	—	15,109	15,109
Other fundraising expenses	—	—	—	—	—	6,364	6,364
Miscellaneous	991	407	1,535	—	1,182	1,654	5,769
Depreciation and amortization	194,852	91,846	47,055	—	49,377	850	383,980
Total operating expenses	\$ <u>7,358,702</u>	\$ <u>2,322,517</u>	\$ <u>7,514,283</u>	\$ <u>174,440</u>	\$ <u>1,371,891</u>	\$ <u>564,405</u>	\$ <u>19,306,238</u>

See accompanying notes to the consolidated financial statements.

# ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

## Consolidated Statement of Cash Flows

Year ended June 30, 2013

Cash flows from operating activities:	
Change in net assets	\$ 901,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	383,980
Loss on the retirement of property and equipment	12,092
Change in assets held by Community Foundation of Greater Des Moines, net of transfers and distributions	(562,126)
Change in the value of assets held in trust by others	(24,000)
Non cash contributions	(26,320)
Change in:	
Patient receivables, net	(58,339)
Contributions receivable, net	(35,858)
Other receivables	(11,122)
Prepaid expenses and inventories	(200,489)
Accounts payable, accrued expenses, and gift annuity liabilities	172,113
Net cash provided by operating activities	<u>551,160</u>
Cash flows from investing activities:	
Purchase of property and equipment	(297,947)
Proceeds from sale of investments	26,320
Distributions received from Community Foundation of Greater Des Moines	528,981
Net assets transferred to Community Foundation of Greater Des Moines	(18,656)
Net cash provided by investing activities	<u>238,698</u>
Cash flows from financing activities:	
Net payments on line of credit	—
Payments on capital lease agreements	(15,729)
Net cash used in financing activities	<u>(15,729)</u>
Net increase in cash	774,129
Cash at beginning of year	<u>3,254,085</u>
Cash at end of year	<u><u>\$ 4,028,214</u></u>
Supplemental schedule of cash flow information:	
Cash paid for interest	<u><u>\$ 4,059</u></u>
Non cash contributions	<u><u>\$ 26,320</u></u>

See accompanying notes to the consolidated financial statements.



**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The consolidated financial statements include Orchard Place (the Organization) and Orchard Place Foundation (the Foundation), both private non-profit organizations organized under the laws of the State of Iowa. The Organization was founded in 1886 and is accredited through The Joint Commission. It provides a continuum of services to children with mental and behavioral health issues through its four divisions:

- Orchard Place Campus: This division provides 24-hour inpatient care to children needing intensive treatment related to a mental illness, and it is licensed as a Psychiatric Medical Institute for Children. It offers an individualized treatment program including individual and family psychotherapy, social skills building, and life skills training.
- PACE Juvenile Center: This division is community-based, providing skill building services for a diverse population of youth and families struggling with mental health and substance abuse issues. PACE works to enhance the services of mental health professionals, educators and Juvenile Court/Department of Human Services by collaborating with these providers and families to alleviate behavioral issues and promote accountability.
- Child Guidance Center: This division promotes community mental health through multiple professional services to children and their families and to those persons and organizations influential in the emotional development and well being of children. It is licensed as a Community Mental Health Center. Outpatient services are provided by a multi-disciplined staff in the fields of child psychiatry, clinical psychology, clinical social work, nursing, and child development. Child care resource and referral services are also offered.
- Care Coordination Services: This division was formed in May 2013 to provide services as a children's integrated health home. Teams of staff including nurse care managers, care coordinators, and family peer support specialists work with clients that are Medicaid-eligible and have a severe emotional disturbance to coordinate mental health, medical services, and social services for the client. Official operations began on July 1, 2013.

The Foundation exists primarily for the benefit of the Organization in carrying out its charitable purposes through the receipt and management of gifts, grants and special events revenue as well as organizing its marketing efforts.

The Organization and the Foundation are exempt from income taxes under Section 501(a) of the Internal Revenue Code as nonprofit corporations as described in Section 501(c)(3). All significant intercompany transactions between the Organization and the Foundation have been eliminated.

The Organization and the Foundation have adopted the authoritative guidance issued by the Financial Accounting Standards Board on accounting for uncertainty in income taxes. Management believes it has no material uncertain tax positions and, accordingly, no income tax effects are recognized. The Organization and the Foundation's remaining open years subject to tax examination include the years ended June 30, 2010 through 2013.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation**

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed stipulations;
- Temporarily restricted net assets – net assets that are subject to donor-imposed stipulations that may or will be met either by the actions of the Organization and/or the passage of time; and
- Permanently restricted net assets – net assets that are subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

**Donated Services**

The value of donated services is not recognized in the accompanying consolidated financial statements because no objective basis is available to measure the value of such services. It should be noted that a number of volunteers donated time to fundraising and mentoring services.

**Assets Held at the Community Foundation of Greater Des Moines**

Assets held at the Community Foundation of Greater Des Moines are carried at fair value, with gains and losses resulting from market fluctuations recognized in the period in which the fluctuations occur. Investment income is reported as an increase or decrease in unrestricted net assets, unless the use of the assets is restricted by the donor.

**Endowments**

The Foundation's endowments, which are included in assets held at the Community Foundation of Greater Des Moines in the consolidated financial statements, consist of six donor-restricted individual funds established for a variety of purposes. The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Foundation and the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the expected total return from income and appreciation of investments; (5) other resources of the Foundation and the Organization; and (6) the investment policies of the Foundation.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost or, if received by gift, are carried at fair value on the date received. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Gifts of long-lived assets such as land, buildings, or equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Assets Held in Trust by Others**

Assets held in trust by others are carried at fair value and include \$279,000 in a charitable remainder trust. Changes in value resulting from market fluctuations and earnings or losses are recognized in the period in which the changes occur, in the net asset class stipulated by the donor.

**Net Patient Service Revenue**

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, if determinable, and adjusted in future periods as final settlements are determined.

**NOTE 2 BUSINESS AND CREDIT CONCENTRATIONS**

The Organization provides services in the central Iowa area and received approximately \$13,676,000 from the Department of Human Services (the Department) during the year ended June 30, 2013. Services provided are primarily through per diem and purchase of service agreements. At June 30, 2013, the Organization had accounts receivable from the Department of approximately \$1,285,000. Future agreements with the Department are generally dependent upon appropriations by the state legislature.

**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, 2013 consisted of unconditional promises expected to be collected in less than one year of \$43,059 and from one to five years of \$2,500. An allowance for doubtful accounts of \$1,060 has been recorded at June 30, 2013.

**NOTE 4 ASSETS HELD AT THE COMMUNITY FOUNDATION OF GREATER DES MOINES**

In 2007, the Foundation transferred assets to the Community Foundation of Greater Des Moines (the Community Foundation), specifying itself as beneficiary, under two types of agreements.

Amounts reported in the consolidated statement of financial position as interest in the net assets of the Community Foundation of Greater Des Moines represent the net cumulative transfers by the Foundation to the Community Foundation, as well as earnings net of disbursements. Distributions are to be made in accordance with the "spending formula" adopted by the Community Foundation's Board of Directors, currently 5% of the fund balance as of December 31<sup>st</sup> of the previous year. Distributions in excess of net income may be made in order to make a distribution in accordance with the spending formula. The Foundation may request distributions of net income in excess of the spending formula distributions, administrative fees and direct expenses. The Community Foundation's Board of Directors shall make additional distributions in excess of amounts determined under the spending formula, up to 100% of the fund, pursuant to requests by the Foundation. The Community Foundation has been granted variance power over the assets, if the Foundation ceases to be a qualified charitable organization or proposes to dissolve.

Amounts reported in the consolidated statement of financial position as beneficial interest in assets held by the Community Foundation of Greater Des Moines represent the net cumulative transfers by the Foundation to the Community Foundation, as well as earnings net of disbursements. These funds were established under the Endow Iowa provisions of the Code of Iowa. Distributions of up to but not exceeding 5% of the fund balance as of December 31<sup>st</sup> of the previous year may be made each year. Net income in excess of the distributions, administrative fees and direct expenses will be added to the fund principal. The Community Foundation has been granted variance power over the assets, if the Foundation ceases to be a qualified charitable organization or proposes to dissolve.

The assets transferred to the Community Foundation are invested in a pooled endowment at the direction of the Community Foundation's Investment Committee. The investment allocation at June 30, 2013 was as follows:

United States equity	25.6%
Non-United States equity	24.4
United States fixed income	9.5
Non-United States fixed income	10.0
Cash composite	3.4
Hedge funds	13.9
Real assets	7.1
Private equity	<u>6.1</u>
Total	<u>100.0%</u>

**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 FAIR VALUE MEASUREMENTS**

The Foundation accounts for its assets held at the Community Foundation of Greater Des Moines and assets held in trust by others at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. These levels are as follows:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from investees.

Assets held by the Community Foundation of Greater Des Moines consist of pooled funds invested at the Community Foundation. The Foundation holds a share of the pooled funds and not direct ownership of the underlying investments. Although the pooled funds, as noted in the previous table, include equity, fixed income, and other marketable securities, the pool itself is not a publicly traded instrument. Management estimates the fair value of its pooled funds at the balance sheet date based on its relative ownership investment in the pool. All funds held at the Community Foundation of Greater Des Moines as well as assets held in trust by others are considered Level 3 investments since there is not direct ownership of the underlying investments.

The following table provides a summary of changes in fair value of the Foundation's Level 3 funds for the year ended June 30, 2013:

Balance at July 1, 2012	\$ 5,376,793
Interest and dividends	104,058
Realized gains (losses)	252,349
Unrealized gains (losses)	223,849
Investment expenses	(18,130)
Change in the value of trust assets	24,000
Contributions to the pooled funds	18,656
Distributions from the pooled funds	(528,981)
Balance at June 30, 2013	<u>\$5,452,594</u>

**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 ENDOWMENTS**

Endowment funds are included in assets held by the Community Foundation of Greater Des Moines. The change in endowment net assets was as follows for the year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance at beginning of year	\$ (6,398)	\$ 138,135	\$ 620,591	\$ 752,328
Investment return:				
Investment income	1,134	14,764	—	15,898
Investment expenses	(164)	(1,862)	—	(2,026)
Net appreciation (realized and unrealized)	<u>4,901</u>	<u>65,816</u>	<u>—</u>	<u>70,717</u>
Total investment return	<u>5,871</u>	<u>78,718</u>	<u>—</u>	<u>84,589</u>
Contributions	—	—	8,319	8,319
Expenditures	<u>(3,047)</u>	<u>(25,935)</u>	<u>—</u>	<u>(28,982)</u>
Balance at end of year	<u>\$ (3,574)</u>	<u>\$ 190,918</u>	<u>\$ 628,910</u>	<u>\$ 816,254</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$3,574 at June 30, 2013. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

**NOTE 7 LINE OF CREDIT**

At June 30, 2013, the Organization had a \$1 million line of credit with Bankers Trust Company (the Bank), maturing November 25, 2013. Interest is payable monthly at the three month London Interbank Offered Rate (LIBOR) plus 2.75 percent, which totaled 2.94 percent at June 30, 2013. The Organization had no borrowings outstanding under this line of credit at June 30, 2013.

The line of credit is guaranteed by the Foundation. The guarantee is unsecured; however, the Foundation is not allowed to pledge or encumber any of its assets except as disclosed and consented to by the Bank. The debt is secured by a first security interest in all the Organization's assets including but not limited to accounts receivable, inventory, equipment, machinery, and general intangibles. The line of credit agreement contains a number of covenants regarding operations of the Organization. The Organization is in substantial compliance with those covenants at June 30, 2013.

**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 OBLIGATIONS UNDER CAPITAL LEASES**

The Organization leases copy machines under a master capital lease agreement. The obligation under this capital lease has been recorded in the accompanying consolidated financial statements at the present value of future minimum payments discounted at the interest rate implicit in the lease of 7.0 percent. The aggregate requirement on the obligation under capital lease for the year ended June 30, 2013 is \$54,417. This amount includes interest totaling \$5,047, resulting in a net principal balance outstanding of \$49,370. Future minimum rental payments under this capital lease are as follows: 2014: \$19,788; 2015: \$19,788; and 2016: \$14,841.

Assets under capital leases totaled \$83,278 at June 30, 2013 and are included in "Equipment and furniture" on the consolidated statement of financial position. Accumulated amortization on the leased equipment was \$34,475 at June 30, 2013. The amount included for amortization of leased equipment financed by the above lease for the year ended June 30, 2013 was \$16,656. The related interest expense for the year ended June 30, 2013 was \$4,059.

**NOTE 9 NET ASSETS**

Temporarily restricted net assets are restricted to the following purposes at June 30, 2013:

Aliber House	\$ 126,679
Educational activities	54,480
Charitable remainder trust	279,000
Capital improvements	164,413
Child Guidance Center general support	153,713
Orchard Place Campus general support	31,977
PACE Juvenile Center general support	98,698
Recreational and summer programming	153,409
Hansell scholarship fund	63,348
Club Chris greenhouse	19,150
Substance abuse	15,740
Other programs	<u>59,119</u>
Total temporarily restricted net assets	<u>\$ 1,219,726</u>

Permanently restricted net assets are restricted to the following purposes at June 30, 2013:

Educational activities	\$ 283,770
Aliber House	241,026
Sexual abuse survivors' programming	10,800
Cultural enrichment activities	40,000
General support	<u>53,314</u>
Total permanently restricted net assets	<u>\$ 628,910</u>

**Orchard Place and Orchard Place Foundation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 RETIREMENT PLANS**

The Organization participates in a multiple employer defined benefit plan sponsored by the United Way of Central Iowa. The plan provides defined benefits to all employees age 21 or older with one year of service in which the employee is credited with at least 1,000 hours of service. Effective December 31, 2008, the Organization elected to freeze plan benefits for all existing participants and to discontinue the admittance of new participants. Amounts charged to pension cost and contributed to the plan totaled \$755,686 for the year ended June 30, 2013.

The Organization participates in a defined contribution retirement plan sponsored by the United Way of Central Iowa. Eligible employees are allowed to make contributions of pre-tax compensation into the plan. The Organization may make matching and/or discretionary contributions, subject to certain restrictions. During the year ended June 30, 2013, the Organization made contributions to the plan totaling \$139,435.

**NOTE 11 RENT EXPENSE**

Effective July 1, 2004, the Child Guidance Center division of the Organization occupies a building in Des Moines, Iowa situated on land leased through a long-term ground lease ending April 30, 2058. Payments are based on 6 percent of the appraised value of the land adjusted at various points during the term of the lease and are payable monthly. Rent expense under this lease agreement was \$23,580 for the year ended June 30, 2013. Future minimum rental payments under this ground lease based on the current appraised value of the land total are as follows: 2014: \$23,580; 2015: \$23,580; 2016: \$23,580; 2017: \$23,580; 2018: \$23,580 and later years: \$939,270.

Effective July 1, 2009, the Organization is leasing office space in Des Moines, Iowa for its administrative offices. Rent is paid monthly at various rates during the term of the lease agreement, which expires June 30, 2014. The lease is subject to one five-year extension with 180 days notice prior to the completion of the original lease term. Rent expense under this lease agreement was \$71,305 for the year ended June 30, 2013. Future minimum rental payments under this office lease are as follows: 2014: \$76,790.

**NOTE 12 MALPRACTICE CLAIMS**

The Organization is insured for protection against liability claims resulting from professional services provided or which should have been provided. Umbrella coverage limits are \$2,000,000 per occurrence and \$2,000,000 in the aggregate, with underlying professional liability coverage of \$1,000,000 per claim and \$3,000,000 in the aggregate.

Presently no claims alleging malpractice have been asserted against the Organization. However, incidents occurring through June 30, 2013 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

**NOTE 13 SUBSEQUENT EVENTS**

The Organization and the Foundation have evaluated subsequent events through August 19, 2013, the date which the consolidated financial statements were available to be issued. There were no subsequent events requiring accrual or disclosure.



## ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

## Consolidating Statement of Financial Position

June 30, 2013

Assets	Orchard Place	Orchard Place Foundation	Eliminations	Total
Current assets:				
Cash	\$ 3,564,989	\$ 463,225	\$ —	\$ 4,028,214
Receivables:				
Patient receivables, net	1,842,086	—	—	1,842,086
Contributions receivable, net	—	44,499	—	44,499
Other receivables	83,659	11,122	(83,659) (1)	11,122
Total receivables	1,925,745	55,621	(83,659)	1,897,707
Prepaid expenses and inventories	249,023	5,109	—	254,132
Total current assets	5,739,757	523,955	(83,659)	6,180,053
Interest in the net assets of the Community Foundation of Greater Des Moines	—	5,113,053	—	5,113,053
Property and equipment:				
Land and land improvements	1,753,319	—	—	1,753,319
Buildings and leasehold improvements	11,522,774	—	—	11,522,774
Equipment and furniture	1,369,910	—	—	1,369,910
Computer hardware and software	551,160	28,610	—	579,770
Vehicles	168,960	—	—	168,960
Construction in progress	52,872	—	—	52,872
Total property and equipment	15,418,995	28,610	—	15,447,605
Accumulated depreciation and amortization	8,637,107	27,182	—	8,664,289
Net property and equipment	6,781,888	1,428	—	6,783,316
Beneficial interest in assets held by the Community Foundation of Greater Des Moines	—	60,541	—	60,541
Assets held in trust by others	—	279,000	—	279,000
Total assets	\$ 12,521,645	\$ 5,977,977	\$ (83,659)	\$ 18,415,963
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Line of credit	\$ —	\$ —	\$ —	\$ —
Current maturities of capital lease obligations	16,867	—	—	16,867
Accounts payable and accrued expenses	1,354,457	91,035	(83,659) (1)	1,361,833
Gift annuity liabilities	—	18,970	—	18,970
Total current liabilities	1,371,324	110,005	(83,659)	1,397,670
Capital lease obligations	32,503	—	—	32,503
Total liabilities	1,403,827	110,005	(83,659)	1,430,173
Net assets:				
Unrestricted	11,117,818	4,019,336	—	15,137,154
Temporarily restricted	—	1,219,726	—	1,219,726
Permanently restricted	—	628,910	—	628,910
Total net assets	11,117,818	5,867,972	—	16,985,790
Commitments and contingencies	—	—	—	—
Total liabilities and net assets	\$ 12,521,645	\$ 5,977,977	\$ (83,659)	\$ 18,415,963

Eliminating entries:

(1) To eliminate the intercompany payable and receivable balance

See accompanying notes to the consolidated financial statements.

## ORCHARD PLACE AND ORCHARD PLACE FOUNDATION

## Consolidating Statement of Activities

Year ended June 30, 2013

	Unrestricted			Total Unrestricted	Temporarily Restricted			Total Temporarily Restricted	Permanently Restricted
	Orchard Place	Orchard Place Foundation	Eliminating Entries		Orchard Place	Orchard Place Foundation	Eliminating Entries		
Operating revenue and support:									
Net patient service revenue, contracts and grants	\$ 17,227,357	\$ —	\$ —	\$ 17,227,357	\$ —	\$ —	\$ —	\$ —	\$ 17,227,357
Public support	1,164,430	—	—	1,164,430	—	—	—	—	1,164,430
Contributions, memorials, and fundraisers, net	—	293,652	—	293,652	356,450	658,499	(356,450) (1)	658,499	960,470
Other revenue	209,218	911	—	210,129	—	—	—	—	210,129
Total operating revenue and support	18,601,005	294,563	—	18,895,568	356,450	658,499	(356,450)	658,499	19,562,386
Net assets released from restrictions - satisfaction of program and time restrictions	356,450	384,057	(356,450) (1)	384,057	(356,450)	(384,057)	356,450 (1)	(384,057)	—
Total operating revenue, support, net asset transfers	18,957,455	678,620	(356,450)	19,279,625	—	274,442	—	274,442	19,562,386
Operating expenses:									
Program services:									
Orchard Place Campus	7,358,702	—	—	7,358,702	—	—	—	—	7,358,702
PACE Juvenile Center	2,322,517	—	—	2,322,517	—	—	—	—	2,322,517
Child Guidance Center	7,514,283	—	—	7,514,283	—	—	—	—	7,514,283
Care Coordination Services	174,440	—	—	174,440	—	—	—	—	174,440
Orchard Place Foundation	—	488,436	(488,436) (1)	—	—	—	—	—	—
Total program services	17,369,942	488,436	(488,436)	17,369,942	—	—	—	—	17,369,942
Administrative services	1,371,891	—	—	1,371,891	—	—	—	—	1,371,891
Fundraising and marketing	—	564,405	—	564,405	—	—	—	—	564,405
Total operating expenses	18,741,833	1,052,841	(488,436)	19,306,238	—	—	—	—	19,306,238
Change in net assets from operating activities	215,622	(374,221)	131,986	(26,613)	—	274,442	—	274,442	256,148
Nonoperating activities:									
Contributions from Orchard Place Foundation - restricted for property and equipment	—	—	—	—	131,986	—	(131,986) (1)	—	—
Investment income, net	—	466,386	—	466,386	—	93,335	—	93,335	559,721
Change in the value of split interest agreements	—	(3,382)	—	(3,382)	—	24,000	—	24,000	20,618
Other nonoperating income, net	64,742	—	—	64,742	—	—	—	—	64,742
Net assets released from restrictions - property and equipment	131,986	131,986	(131,986) (1)	131,986	(131,986)	(131,986)	131,986 (1)	(131,986)	—
Change in net assets from nonoperating activities	196,728	594,990	(131,986)	659,732	—	(14,651)	—	(14,651)	645,081
Change in net assets	412,350	220,769	—	633,119	—	259,791	—	259,791	901,229
Net assets at beginning of year	10,705,468	3,798,567	—	14,504,035	—	959,935	—	959,935	16,084,561
Net assets at end of year	\$ 11,117,818	\$ 4,019,336	\$ —	\$ 15,137,154	\$ —	\$ 1,219,726	\$ —	\$ 1,219,726	\$ 16,985,790

(1) To eliminate intercompany transfers

See accompanying notes to the consolidated financial statements.

**Orchard Place and Orchard Place Foundation**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2013**

<b>Federal grantor/pass-through grantor/ pass through grant description</b>	<b>Federal CFDA number</b>	<b>Federal CFDA name</b>	<b>Federal expenditures</b>
<b>United States Department of Agriculture</b>			
<i>Passed through State of Iowa Department of Education</i>			
National School Breakfast, Lunch and Snack Program	10.553 and 10.555	After School Snack Program, School Breakfast Program, and National School Lunch Program	\$ 169,648
Food Distribution Program	10.550	Commodities	2,823
<i>Total United States Department of Agriculture</i>			<u>172,471</u>
<b>United States Department of Justice</b>			
<i>Passed through Iowa Criminal and Juvenile Justice Planning Division</i>			
Juvenile Accountability Block Grants - Functional Family Therapy	16.523	Juvenile Accountability Block Grants	90,849
Title V Delinquency Prevention Program - Functional Family Therapy	16.548	Juvenile Justice and Delinquency Prevention	47,500
Juvenile Justice and Delinquency Prevention - Allocation to the States - Functional Family Therapy	16.540	Juvenile Justice and Delinquency Prevention	63,956
<i>Total United States Department of Justice</i>			<u>202,305</u>
<b>United States Department of Health and Human Services</b>			
<i>Passed through State of Iowa Department of Human Services</i>			
Child Care Resource and Referral	93.575	Child Care and Development Block Grant	1,067,818
<i>Passed through the Polk County Early Childhood Area</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	290,300
<i>Passed through Iowa River Valley Early Childhood Area</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	44,078
<i>Passed through Kids First Communities Early Childhood Area</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	8,650
<i>Passed through Jasper County Empowerment</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	9,095
<i>Passed through Marion County Early Childhood Iowa/Board of Empowerment</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	26,975
<i>Passed through BooSt Together for Children Early Childhood Area</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	47,947
<i>Passed through 4 R Kids Early Childhood Area</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	4,241
<i>Passed through 4 Counties for Kids Early Childhood Area</i>			
Early Childhood Iowa Grant	93.575	Child Care and Development Block Grant	22,630
			<u>1,521,734</u>
<i>Passed through State of Iowa Department of Human Services, Juvenile Court Services</i>			
Diversion and Monitoring Services	93.558	Temporary Assistance for Needy Families (TANF)	174,400
<i>Passed through State of Iowa Department of Human Services, Division of Mental Health and Developmental Disabilities</i>			
Trauma Informed Care Services	93.958	Block Grants for Community Mental Health Services	126,964
<i>Total United States Department of Health and Human Services</i>			<u>1,823,098</u>
Total federal expenditures			<u>\$ 2,197,874</u>

See Independent Auditor's Report and Note to Schedule of Expenditures of Federal Awards.

**Orchard Place and Orchard Place Foundation**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2013**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orchard Place and is presented on the accrual basis of accounting. The Orchard Place Foundation received no federal awards for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Orchard Place and Orchard Place Foundation  
Des Moines, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Orchard Place and Orchard Place Foundation (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Orchard Place and Orchard Place Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orchard Place and Orchard Place Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Orchard Place and Orchard Place Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide and opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
August 19, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
Orchard Place and Orchard Place Foundation  
Des Moines, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Orchard Place and Orchard Place Foundation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Orchard Place and Orchard Place Foundation's major federal programs for the year ended June 30, 2013. Orchard Place and Orchard Place Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Orchard Place and Orchard Place Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Orchard Place and Orchard Place Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Orchard Place and Orchard Place Foundation's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Orchard Place and Orchard Place Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### Internal Control Over Compliance

Management of Orchard Place and Orchard Place Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Orchard Place and Orchard Place Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Orchard Place and Orchard Place Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Denman & Company, LLP*  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
August 19, 2013



**Orchard Place and Orchard Place Foundation**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2013**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

- (a) Type of auditor’s report issued: Unmodified opinion
- (b) Internal control over financial reporting:
  - Material weakness identified? No
  - Significant deficiency identified that is not considered to be material weakness? None reported
- (c) Noncompliance material to financial statements noted? No

**Federal Awards**

- (d) Internal control over major programs:
  - Material weakness identified? No
  - Significant deficiency identified that is not considered to be material weakness? None reported
- (e) Type of auditor’s report issued on compliance for major programs: Unmodified opinion
- (f) Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No
- (g) Identification of major programs:  
CFDA #93.575 – Child Care and Development Block Grant
- (h) Dollar threshold used to distinguish between type A and type B programs: \$300,000
- (i) Auditee qualified as low-risk auditee: Yes

**SECTION II—FINANCIAL STATEMENT FINDINGS**

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance related to the financial statements were reported.

**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters regarding significant deficiencies, material weaknesses, or instances of noncompliance with federal program requirements, including questioned costs, were reported.